

Giving Done Right, Season 6, Episode 6 – Is Philanthropy Fueling Polarization? With Daniel Stid

Daniel Stid: I think the most fundamental problems facing our democracy are really the withering of our civic culture and civic community in ways that have us increasingly at loggerheads with each other, assuming the worst of each other, and struggling to solve a whole set of problems in our particular community.

Phil Buchanan: Welcome to Giving Done Right. I'm Phil Buchanan. Are wealthy donors and big foundations combating polarization, or are they actually fueling it? How do we become a pluralistic society in which different perspectives, values, and lifestyles can thrive and be seen as a source of strength? What are the right roles for both givers and nonprofit organizations to play, and how should they interact with federal and local governments?

I don't know of any more thoughtful thinker on these tough questions than Daniel Stid. He's a senior fellow at the American Enterprise Institute, and he works on civil society, philanthropy, democratic governance, and he writes a great blog called *The Art of Association*, and he's got a podcast by the same name. I first met him when he was working at the Hewlett Foundation, leading up their US Democracy Program. So Daniel and I don't always agree on the answers to these questions, which you'll probably see, and it's exactly why I wanted to have him on the show. Welcome, Daniel.

Daniel Stid: Phil, great to be with you. As a longtime listener, I'm glad to be a first-time caller here, so looking forward to it.

Phil Buchanan: Yeah. Great to have you. And I feel like we met what feels like 100 years ago when you were at the Hewlett Foundation. The world seems kinda different since when you started there in 2013, anyway. And I guess I wanna kick us off with your take on the role of philanthropy in a democracy because you make a pretty provocative argument that philanthropy has actually accelerated polarization. Can you explain that?

Daniel Stid: Sure. The answer I'm about to give to this question has been shaped by not only my working in this field now for a dozen or so years, but also frankly reflecting on the fact that I started off bright-eyed and bushy-tailed in 2013, and by the time I left the Hewlett Foundation in 2022, by any measure, democracy had gotten materially worse in the United States. So it's kind of reckoning, oh, we worked for nearly a decade and spent nearly two hundred million dollars just for our foundation, which was a fraction of the total amount being spent, but yet we seem to be heading in the wrong direction. So that in and of itself prompted this rethinking, which frankly had begun to occur before I left the foundation. When I talk about the effect that philanthropy has had on democracy and spurring polarization, I'm not referring only or even primarily to that portion of philanthropic funding which goes to

support democracy-related issues. I'm referring to broadly funding coming from philanthropy that is trying to shift public policy and bring about systems changes in and through government on a wide variety of policy issues, which would include everything from climate change and environmental conservation to policing and criminal justice to education to immigration to political economy. A whole host of issues that when you add all of the philanthropic spending supporting advocacy and activism on those fronts, it really dwarfs that portion of which is flowing to democracy. And the thing I started to appreciate is that over time, for understandable and I think laudable reasons, philanthropic institutions and high net worth individuals that are giving philanthropically are saying, "Well, if I really have a set of convictions about what our government should do and how it should do it in a given policy area, we should be underwriting advocacy, advocates and activists that are trying to realize that vision. And if we can frankly succeed on that front, it will provide a breakthrough and a kind of change that would lead to a very high return on our philanthropic investment." So as philanthropy has become more and more strategic, some of these large national funders that have great ambitions have become increasingly focused on this policy and systems change dimension in a range of policy domains. And so they've invested more and more in the inputs to democracy, if you will, the views that are kind of pouring into our system. And my view is that over time, that has increasingly come to overwhelm our system and accelerate the polarization that we're seeing. And this is true for funders certainly on the left, but I think also very much true for funders on the right as well.

Phil Buchanan: I'm curious though how you square that with the other money that's going to influence public policy against which philanthropy would be like a relatively small slice, I would think. And even at the big national foundations, like sort of policy advocacy work is not necessarily the bulk of what these institutions are doing. When you think about like sort of the political money, the corporate money, is institutional philanthropy or individual donor philanthropy influencing policy actually really a big piece of the puzzle?

Daniel Stid: Well, I think if you just start to look at who are the advocates working on these issues. So let's take, for example, Project 2025. So most people on the left would say that was hugely influential in terms of shaping the agenda for the Trump administration. A healthy preponderance of the effort underwriting that came from 501(c)(3)s funded by philanthropy. It's just that in this case, the advocates and activists were working at, like, Heritage or the Center for Renewing America or the America First Legal Center. I think if you look at issues, whether it's climate or immigration or racial justice, that funders on the left are seeking to advance, the permission structures for what politicians in the Democratic Party can say or not say on those issues are frequently put in place by philanthropically funded advocacy groups. So there's no doubt that there's a lot of corporate money. I think, frankly, a lot of corporate money goes into what I would call kinda rent-seeking, and it's focused on things that are serving the material interest, if you will, of the corporations whose activities are being regulated by the federal government or being legislated upon by the federal government. But I think on these, especially the culturally divisive issues where there are real and sustained differences among Americans, these national philanthropically funded groups have a disproportionate share of voice and are basically pulling, and this is the general argument here, that on most of

these contested issues, if you look at kind of where are the American people in aggregate, they're kind of across the board, but they tend to cluster in and around the center. But if you look at the policy alternatives on offer by advocates underwritten by philanthropy, they tend to cluster much more to one pole or the other, and thus make it harder for the powers that be within the party to move towards the median voter. And so, you know, what tends then to happen is that neither party is really able to gain a foothold and win over the lump of voters in the center of the political spectrum. And so we kind of are going from one extreme to another on issue after issue as, you know, one party wins power. And let's take immigration, for example. If you go back to the things that President Obama did unilaterally through liberalizing immigration in his second term, and then if you look at the things that President Trump did, again, largely unilaterally in his first term, and then you go to what President Biden did, you have this shift in federal policy back and forth where the alternatives being developed are really coming straight out of the advocacy groups on the left and right that have a very staunch position on immigration between the very liberal, and I would say largely open immigration regime that progressive advocates call for, and the draconian and I would say inhumane regime that conservative advocates call for, when most Americans want to see a policy that's somewhere in the middle. So that's the kind of dynamic we're wrestling with.

Phil Buchanan: Yeah. Yeah. And it's interesting because I'm thinking to myself, like, as I look across the individual donors I know, the foundations that we work with, you know, many of them are actually regionally focused, not playing in the national policy sphere. They're often funding, to the extent that they're even involved in local policy efforts, they're often supporting efforts that do have coalition approach of some diversity in terms of the ideological perspective of those working on a particular local initiative. So I suppose it could be simultaneously true, and I don't know if you would agree with this or not, that there are ways in which certain funders and organizations might have had a disproportionate impact on national dialogues about particular issues, and I think it's a relatively small slice of, like, philanthropy that's caught up in those issues. I mean, if you look at the number of just the dollars going to national immigration issues, I think it'd be a relatively small percentage of the philanthropic pie, which is why I have a little bit of a hard time getting my head around this idea that sort of in aggregate philanthropy has fueled polarization when so often I see donors supporting local community-rooted efforts and organizations that are bringing together people across ideologies on particular issues.

Daniel Stid: So I think it certainly is the case, and I wanna come back to this, that most funders are focused more on geographies, regions, states, localities. I'm literally dialing in today from a conference in which community foundations have gathered to talk about what they can do within their communities to support civic health. And I think there's a lot of things that place-based philanthropy can bring to this equation that we should maybe talk more about. I think the thing I've tried to emphasize in writing about this is that it is a subset of those large national foundations in particular that are focused on bringing about policy and systems changes at the national and federal level, in some cases even the global level, on the issues that they are really focused on. So I concur that it is a small subset of the total number of private foundations, for example, but I think they have a

disproportionate impact, both because of the extent to which they're dedicated to this, and again, it doesn't take as much money to support, you know, influential advocates as it does to support, say, direct service or the kind of thing that these regional or local funders are doing. So I think I would concur with you that this is not most foundations, if we're thinking about institutional donors, that are causing this problem. The other thing I would say, and this might be something we could talk more about, is I think in this emerging period, where we are now, where we might be over the next five to 10 years, I think something that could be an incredibly positive development is to see the work that these regional and state and community-focused funders are doing as being just as if, if not more important in supporting democracy and civic health, primarily because they are doing so in ways that are depolarizing the issues and engaging people, kind of bringing forward the people's shared identities as North Carolinians or as residents of Paducah or Buffalo. And as they do that, the more partisan or ideological affinities are put on the back burner. And so I think it allows for more constructive problem-solving and as a result of all the philanthropy that's coming into these kind of what we might call place-based philanthropic activities.

Phil Buchanan: I guess my question would be, if we think about listeners of this podcast, whether they be regionally focused or nationally focused, and whatever historic interests they might have had, who are very worried about threats to democracy right now. It's the fall of 2026. We're recording this, you know, before the midterms. And folks might debate this, but to me, it looks pretty clear where the threats are coming from, that the threats are actually coming from the administration, in the form of efforts to make it harder for folks to vote, allies of the administration putting in place redistricting plans that have almost an explicit objective of diluting the Black vote, splitting districts that had been majority African American. And, you know, for folks who are alarmed about this and want to make a difference through their philanthropy, what would you say to them? Would you say that there are things that they can constructively do, or would you say that actually it might be counterproductive, and they might have the sort of unintended opposite effect if they seek to protect democracy and democratic institutions? Because I think there's a lot of folks who are struggling, and I see it. I mean, I see the folks in our audience who are doing everything they can to support organizations like Democracy Forward that are challenging this administration in court on the one hand, and then I see others who are saying, "No, no, no. The right thing to do now is sort of turn down the volume, and we're going to support efforts to, you know, find more centrist coalitions that care about this and we're not gonna take such a tough advocacy approach." And I have my own views on that, but I'm wondering what you would counsel people and whether you share those concerns about our democracy.

Daniel Stid: Sure. I think our democracy has a whirlwind problem and a termite problem. And the whirlwind problem is, I think, manifest in President Trump. I think he has not been... He is kind of the opposite of what we need in a president, especially at this discombobulating time in our nation's history with so many other problems that we need to be addressing, and I think he has effectively been pressure testing our system. That's one observation. The second observation is that, and this is something I've kind of witnessed firsthand over the past decade, is that a lot of foundations and philanthropists, again, mostly at the national level, that have

been concerned about the ways in which President Trump and his most intense partisan supporters seem to be working against democracy, have been trying to figure out what they can do philanthropically to counter or oppose him, and I think that has, over time, proved to be counterproductive. There has been this, you know, just looking at the results, it hasn't slowed him down, and I think if anything, it's given him new foils to move out against. I think there's a lot that can be done for people who want to oppose the president or, frankly, any candidate or party in the political domain. I think the question becomes, well, what can philanthropy do within the limits of the tax code and not just the letter of the tax code, but the spirit of the tax code to improve our democracy? And that is, I think, attend to what I would call the termite problem, which is I think the most fundamental problems facing our democracy are really the withering of our civic culture and civic community in ways that have us increasingly at loggerheads with each other, assuming the worst of each other, and struggling to solve a whole set of problems in our particular communities. And this is where I think philanthropy can make its best contribution. So what I would say to a regional or a local funder, as I was leaving the, the Hewlett Foundation, and I've written about this, at one point, a leader of a prominent community foundation called me, and this is just as I'm thinking, "Oh, there's gotta be a better way, because what we are doing is not working." The leader, and it was a venerable institution, said, "I feel like we need to get into the fight for democracy, and I'm wondering what we can do within our community to support democracy." And I said, "Well, tell me what you have going on." And they proceeded to talk about a local journalism program that they were underwriting, some work they had been doing in bringing together and supporting a, kind of a local Braver Angels-led effort, and they had a couple of other really interesting irons in the fire. And I said, "In all honesty, what you should do is more of that," because if every community in a country had a philanthropic steward that was ensuring that there was robust local journalism and reporting and that the dialogue was remaining open between people who saw things differently and some of the other things that they were underwriting, you know, frankly, it would go a long way to restoring that kind of civic capacity, that we, I think, have had in our past, but have just increasingly found harder to come by in local settings. So now that is longer term work. It's work that will pay off not in the next year or two, certainly not before the next election. It'll pay off over a three, five, 10 year period. And so it might seem less satisfying, but that is I think the role that philanthropy can play in shoring up democracy at this moment or the most efficacious role.

Phil Buchanan: Are you saying that the right thing to do is, you know, take that longer view, do that work in community, which obviously is really important and I completely agree, instead of other more direct challenges to this administration that some donors and philanthropists have funded, whether that be by supporting National Council of Nonprofits because they were worried about threats to, you know, revocation of 501(c)(3) status or cuts in federal funding, or Democracy Forward, which was challenging executive power in various ways. Would you say it's the first and not the second, or is it a both/and?

Daniel Stid: It's a good question. I think there have been literally billions of dollars over the past decade that have gone to opposing and resisting Donald Trump and his encroachments on the Constitution. I think in some places they've managed to hold the line. They've done so in part through our court system and through litigation

efforts, checking and balancing, and I think our judiciary system continues to do that. One of my greatest disappointments as someone who's always been a big believer in the United States Congress, and that was really the heart of our program at Hewlett, you know, we pursued the hypothesis that if we could strengthen Congress as an institution, that would help check and balance. I think what is interesting there is the extent to which the work around these emergency or near-term actions tends to wax and wane depending on whether the party we happen to support is in office. I'll just give you a very concrete example about this. Back in the, the last few years of the Obama administration, when we started this effort to bolster the capacity of Congress to be an independent branch that could check and balance the executive, and what was interesting at the time is we were getting a lot of take-up and interest for conservatives who themselves had grown quite concerned, as they described it, with the unilateral executive power that President Obama was wielding. And this, you might remember, this was right about the time when he initially said, "I don't have the constitutional power to make the ruling that would enable the DACA and DARPA recipients to be able to stay in the United States," as many advocates have been wanting. And this was seen as something that would be a naked use of unilateral executive power. But a lot of progressive foundations that wanted this policy outcome were underwriting advocates who said, "Absolutely, you should do this. This is something that you need to do. We can't wait for legislation. The legislation's not gonna be forthcoming from this Congress." And so President Obama went ahead and did it. And that led to howls from conservatives saying, "This is precisely what we're talking about. The executive power is unchanged." And what was interesting is, you know, our progressive peers were saying, "Why would we wanna be bolstering Congress's ability to check and balance the executive. We like President Obama and we want him to be doing these things that he's doing. So they, at one point, someone said, "I feel like you guys have the tinfoil hats on." But fast-forward, and what's really interesting at the time, I was saying, "For those of you who think it's fine for President Obama to unilaterally approve and liberalize our immigration policy in this way, just imagine if the same power was being wielded by Mitt Romney or God forbid, Ted Cruz." So my parade of horrors about what if the shoe was on the other foot, you know, turned out to be relatively tame by what actually happened. Fast-forward to 2016, now all the conservatives who were with us kind of quickly decided, "Actually, we kind of like a unilateral executive." And then there was a surge of interest on the part of people aligned with the Democrats and progressives saying, "Yes, now we need to be investing in oversight and independent checking and balancing of the executive." And so I think what is often done in the name of stopping President Trump, you know, has, if you look at it over the longer view from administration to administration, kind of a sense of, let's stop the Republicans, but not worry so much about the Democrats. And just one other example here, there was a real strong push coming out of the first Trump administration to rein in the emergency powers. There's a whole need to kinda clean up this overgrown set of emergency powers that the executive holds over accumulated legislation that needs cleaning up. There was real hope. We had underwritten some grantees that had come up with a bipartisan approach to rein in, uh, these emergency powers. And when we got into the Biden administration, the advocacy for this on the left really dried up. The Biden administration said, "Actually, we kinda like being able to wield these executive powers." So I've become a little bit cynical over time about the extent to which efforts to uphold our system tend to wax and they aren't institutional, they're more opportunistic, depending on whether the party and the president that we

like is wielding power or not. So I think that compounds the problem for philanthropy because it is perceived as increasingly a political and partisan actor, which I think over time is gonna undermine its legitimacy.

Phil Buchanan: I mean, by giving these examples, I assume you're not equating the level of threat to our constitutional order or our checks and balances between this administration and, for example, you know, the second or first Obama administration.

I mean, I guess I would ask, do you acknowledge that we're at a greater level of threat and crisis in terms of the expansive view of executive power and the willingness to sort of bowl over both norms as well as legal barriers to the use of executive power? I assume you're not equating them, but rather you're saying there's some hypocrisy here or some lack of consistency.

Daniel Stid: So it's natural, it's a human tendency to accept and forgive the abuse of a power that happens to coincide more with the views that we feel comfortable with. So if you're asking me, am I more comfortable with Barack Obama wielding unilateral executive power than Donald Trump? The answer is yes. But if you're asking me, do I think a Republican system of government that has equipped any president, regardless of their orientation, to be able to take these unilateral actions, is that Republic gonna last for long? I don't think it will. And so I think a little bit, the premise of your question is we have to stop Donald Trump, and so that really is the priority for philanthropy. And what I would say the priority for philanthropy should be to underwrite the institutional reform so that we get our Constitution back on track and not kind of position the efforts that we're doing as stopping one president or party in particular, because that is what has led to this increasing conflation of philanthropically underwritten activity with partisan activity which I think in the long run is gonna undermine the legitimacy of philanthropy itself.

Phil Buchanan: I think I'm making a somewhat different argument, which is that whatever excesses we've seen on the part of Republican and Democratic presidents both in the past, they pale in comparison to the threats that we're experiencing right now.

Daniel Stid: So I think if you're looking at this at the systemic effect, you start to see that it's harder to tease those out. So for example, I had thought after the 2020 election and what transpired afterwards that under no circumstances would the American people once again turn to someone like Donald Trump to become president. I was wrong in that, and I think one of the reasons I was wrong in that is because I didn't foresee that President Biden, again, under the influence and this is not me talking, if you look at things like Cecilia Munoz and others who within the Biden administration have pointed out the extent to which the groups really chained him to the left on things like immigration, proceeded to effectively open the border for two or three years until he realized this was a politically unsustainable position, at which point he had to act to close it. But at that point it was too late, and what I would suggest is that a good part of the reason that Donald Trump was able to come back into office and pose the threats that he is now posing is because in the interim period, another president acting unilaterally pursued a course of action that a sufficient number of Americans were opposed to, that it led to a backlash against

that. So I don't think you can so neatly say one side presents the unique threat, when I think it is this systemic imbalance that is putting us into this dark place that we find ourselves.

Phil Buchanan: Stick around. We'll be right back after the break

BREAK

Phil Buchanan: When we think about pluralism, which has been a hot topic of late in philanthropy, and you're making this point that donors at the extremes have had a kind of outsized influence that's had negative repercussions. One answer to that would be just new efforts to take different positions between those extremes. You know, so if we don't like what they're doing, well, let's start a philanthropy or a nonprofit that does something that's more moderate. But I think you're actually arguing for these folks to sort of reform themselves, to heal themselves in some way. Am I getting that right? That you're asking these institutions to take a hard look at themselves and shift their approach rather than saying what we need are more different approaches from other institutions.

Daniel Stid: Yes. And so the main argument that I've tried to offer here is that philanthropists, be they individuals or institutions that are investing at a large scale to try and improve democracy, need to practice what I would call responsible pluralism. And I would distinguish responsible pluralism from the, I think, more traditional notion that if you don't like a point of view that seems to be holding sway, invest in an opposing point of view so that it can offset it. And I think that when you are underwriting a coalition of advocates and activists and think tankers who are behind a particular idea, I think you have an obligation as a funder to be investing in things that can ultimately command an enduring majority of the American people. Because the way that policy is set in a responsible way in this country is that there, over time, develops a majority that kind of works its will through Congress, and it kind of settles a policy in ways that take contentious issues off the table. So I've been talking a lot here, probably too much, about the unilateral executive actions that are swinging immigration policy from left to right. A policy settlement on immigration would reckon with the fact that there are needs to both address things like border security and prioritization of citizenship with pathways and humane treatment for people in our immigration system, and how do we combine that mix of things. That's really what Congress is meant to do, to combine all the different perspectives that lead most Americans in between in more moderate positions on immigration relative to where the parties and their advocates are. And so part of responsible pluralism, if you are a funder underwriting policy advocacy, is first of all, even within your own deliberations in terms of your team members, in terms of the consultants and the partners you're engaging, to have a diversity of views so you actually can see the full range of perspectives that are bearing down on an issue versus dealing in these kind of hermetically sealed echo chambers where everyone kinda thinks the same way. And in those settings, you tend to have this phenomena of belief polarization in which the most fervent and passionate views come to hold sway. So whenever you have like-

minded people. Gathering the positions of that coalition tend to migrate towards the extreme. So I think one thing that funders can do in practicing a, a responsible pluralism is...

And again, they don't need to give up. If you wanna be working for a more liberal immigration policy, totally worthy goal, you should absolutely pursue it. But if you really want a liberal immigration policy, you have to say, "How can we win a majority so that it is Congress, with all the deliberation, negotiation, and compromise that occurs within that body, that is setting immigration policy for the nation, and not Stephen Miller by fiat in the executive office?" So the idea is that you need to kinda work with the grain of the American system, which requires broad and diverse coalitions to get things through Congress. That, to me, is the kind of pluralistic sensibility that we need more philanthropic funders to take on.

Phil Buchanan: The challenge I have with it, it sort of assumes an ability to understand both where public perception is and where it can go, right? So I think oftentimes those nonprofits or donors that are advocating, particularly for the most marginalized in our society, they might be taking up an issue that does not have much public support, but they also know that sometimes those who can't command majority public support are the very people who most need help. And so that advocacy is designed to shift perspectives, and sometimes that works. I mean, we can look back at the history of our country at times where public perception really changed, and quickly. A more contemporary example would be civil rights for LGBTQ people. But we could look back at the history of the civil rights movement. So if we temper our goals based on where we think people are, do we run the risk of accepting certain inequities or, or limitations to everybody's ability to enjoy freedom and equality that we wouldn't if we sort of set our sights high and tried to say we can shift that perception?

Daniel Stid: Yeah. I think even in those cases where, and maybe especially in those cases, where you are arguing on behalf of a beleaguered minority, there's all the more reason to frame and pursue the issue in a way that can bring about broad public support. And so I think one of the most interesting things, for example, about the civil rights movement, and I think this comes out most clearly in the "I Have a Dream" speech, is not the most famous two-third section which Martin Luther King basically improvised on the spot, but the first third of the speech that he actually prepared and was kind of his plan, where he point by point was taking advantage of this national audience that he had in the speech right beneath Lincoln, the hero of the American Republic, talking about, "We've come here to cash a check that was written to us at the founding period, but keeps coming back marked insufficient funds, and we aren't gonna give up on trying to cash that check." So he is, on the one hand, offering a very powerful indictment of the country, but he is offering that indictment in a way that is appealing to the core values and the spirit of it that over time, I think, led within a couple of years to overwhelming congressional majorities for bipartisan majorities for the civil rights legislation in the mid-'60s. And likewise with the... I'm old enough to remember Jonathan Rauch, who was an early and staunch advocate of marriage equality back in the 1990s when he was really... This was a, a minority position in the LGBTQ community because it was seen as domesticating and reducing the impact of what was a kind of inherently transgressive

identity. And I think what people like Jonathan Rauch and Andrew Sullivan were saying early on, and I think their view turned out to be correct, is that if we can frame this as a quest for rights that all Americans can enjoy and understand or should be able to have, and all Americans can understand that we're gonna dramatically increase our odds of success. I think early on, they were in a minority position, but that perspective of pushing for something that ultimately a majority could get behind, I think was the wiser strategy. And so there's this famous quotation. At one point, Adlai Stevenson was running for president, and one of his supporters, against Eisenhower, I think in 1952. and one of his supporters said, you know, "Governor Stevenson, you have the support of every thinking American." And he said, "Well, that's great, but I need a majority." And I think there is something to that. In our system of government, ultimately, the positions that we believe in need to be buttressed by a majority. And so foundations and individual donors that are trying to advance a position need to be attentive to what is the coalition and the principles that can bring me a majority, and that's the thing I think too many funders have lost sight of.

Phil Buchanan: Let's talk about another sort of impact of the current administration on the nonprofit sector that we haven't really touched on, which is just the massive cuts in federal funding that have led to really a sense that many nonprofits are reeling. We see in our annual State of Nonprofits survey folks reporting, in big numbers, layoffs, increasing number reporting deficits, other signs of financial distress, massive uptick in self-reported burnout from nonprofit leaders, an impression that the ripple effects of the federal funding cuts have made the fundraising environment from foundations and individual donors harder even for those that don't get federal funding because of the number of people now coming to the table. I think you have a particularly deep knowledge and understanding of sort of how we got to this place where so many nonprofits were dependent on federal funding to deliver their services. And I'm curious in your take on sort of short-term and long-term, what your hopes are for how the nonprofit sector emerges from a period of crisis that to me doesn't look like anything I've seen in the twenty-five years I've been in this job.

Daniel Stid: Sure. Same for me also. And this is, before I started the work at the Hewlett Foundation, I spent many years at the Bridgespan Group as an advisor primarily to government-funded nonprofits that were delivering intensive human and social services to homeless families or kids coming out of the child welfare system. This was, like, in the 2009, 2010, 2011 period. I just started to appreciate how the nonprofits that were basically reliant almost exclusively on, I would call it government funding, 'cause inevitably it's a blend of some federal and state and local-

Phil Buchanan: Yes.

Daniel Stid: sources, and often the federal money goes to the state, so it, it kind of all gets braided together. And this is a phenomena that we kind of take for granted, but it really is a phenomena that started particularly in the 1960s with the Great Society program of Lyndon Johnson, where the federal government wanted to expand its support for people in communities in need, but it realized it didn't really have the wherewithal to staff up and pay for federally administered programs, and it

wanted, frankly, to avoid the sense that the federal government was coming in to local communities, so it turned to nonprofits as the contracting partners or the delivery mechanisms for these federal policies. And one of the things that was apparent early on is that there were real tensions and contradictions in this for a couple reasons. For the nonprofits, it left them increasingly dependent on and vulnerable to government funders that could often be quite fickle, quite heavy-handed, quite top-down. A lot of the work I did with Bridgepan was just highlighting the extent to which government would contract with or make a grant to a nonprofit to deliver services for 100 people but pay the nonprofit 70 cents on the dollar to provide, though what it actually cost to provide those services with the idea that the nonprofit could make it up through what I started calling the mission subsidy, but they had to kind of find the money elsewhere. But as these nonprofits came to rely more and more on government funding, it became harder and harder for them to source the philanthropy to kind of close that gap. So there just was an inherently unstable financial position for these organizations. But it also hinged on a consensus that I think existed up to really the second Trump administration. I think in the first one, there just wasn't enough wherewithal or awareness to disrupt it. There was a definitely disruption born in the second. But up until that point, people in both parties had been working to try and improve this funding relationship to move more government funding to support programs that were delivering clear results. President Obama really made this a strong emphasis, as did President George W. Bush before him. But if you fast-forward to today, I think one thing that distinguished those two presidents and the people in their administrations is that they had a commitment to continuing these programs and improving them. The current administration doesn't have that. I think the consensus of the federal government underwriting these programs, like so many other areas that used to be a consensus and no longer are, has gone. And the financial pressure, if you look out into the future, with the diminishment within the next few years of the Social Security and Medicare trust funds, the federal fiscal picture for the foreseeable future looks bleak. So the idea that we can somehow go back to the way things were, I just don't see how that's going to come about. And I think without really knowing exactly what's going to transpire, it would behoove the nonprofit sector to reimagine itself. Okay, what if we take this federal funding out of the equation, what can we do and how can we do it? Where can philanthropy help? I think philanthropy over time got very used to the federal government underwriting a lot of the operations of nonprofits. So this phrase of a government takeout, so we kind of scale something up, show it works, and then government starts funding for it. I think the presumption was that was a one-way street. We just need to kind of bring programs to the federal government and that'll take it from there. But I think that one-way street is suddenly the traffic's coming in the other direction. So I don't know exactly what shape the future will look like, but I don't think it's gonna be kind of getting back to some status quo ante. I don't see that occurring.

Phil Buchanan: Yeah, it is hard to imagine what happens given the degree to which our country has depended on organizations funded largely by the federal government to deliver really vital services to vulnerable people. And, you know, on the one hand, some of that is continuing. There, there's federal funding still flowing to a number of organizations. And then on the other hand, I saw an analysis recently that just in the first eight or nine months of the administration, something like 40% of

federal funding to nonprofits was cut. That's tens of billions of dollars, and it would be more now.

Daniel Stid: So one thing, for example, just in the spirit of brainstorming here, I think one of the things that could be potentially fruitful is to acknowledge the fact that many of these organizations that are nonprofits that are receiving federal funding and state and local funding to support vulnerable populations are kind of in this nether world, and I think their current struggles are bearing this out, where on the one hand, they aren't philanthropically funded nonprofits. Philanthropy makes up a very small portion of their annual budget. But they also are not strictly for-profit government contractors either. They're somewhere in between. They're largely government funded, but they have this mission. And are there kind of alternative legal forms or formats that would relieve some of the pressure or enable them to flourish in a way? I think, for example, in public education, charter schools have alleviated a good bit of the pressure that have historically been borne by the traditional public school system. I know that's not an uncontroversial statement. To me, kind of imagining what are some alternative legal entity structures that might enable a better response to this current set of disruptions, which again, I argue, as I argue in a recent piece, has been several decades in the making.

That's the kind of thinking I think we need to do more of.

Phil Buchanan: Yeah. And my own view is that as much as it is true, and if I had, you know, taken a drink every time somebody said philanthropy can't fill the gaps, I would be, you know, stumbling down the street. And that is undoubtedly true that philanthropy can't fill all the gaps. It is also true that donors have got to step up in the current moment for those organizations that they feel are most crucial because otherwise it's communities and people, including some of the most vulnerable and marginalized people in our society, who are gonna pay the price. And in some places, of course, that is already happening. I hate to leave it on that negative note, but I do think the positive piece is that donors can step up because giving has been flat as a percentage of GDP. In Jeff Bradach, your former colleague's, recent excellent piece, he talks about the sort of lack of growth in the percentage given by the wealthiest in this country. There's great opportunity for folks to do more if we can get back a little bit more of that spirit of believing that we can make a difference and we can help our fellow citizens. But Daniel, I really appreciate you spending this time with me and bouncing things back and forth. You're so thoughtful and so deeply knowledgeable about the sector and about democracy, and I just wanna thank you for spending this time with me.

Daniel Stid: Oh, glad to do it, Phil. I have great admiration for your organization and the work you do, so I'm very happy to join you for this conversation.

Phil Buchanan: There are a ton of resources about effective giving on The Center for Effective Philanthropy's website, cep.org, as well as givingdoneright.org, where you'll find all of our episodes and show notes. You can also send us a note at gdrpodcast@cep.org.

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Our original podcast artwork is by Jay Kustka. Special thanks to our colleagues Sarah Martin, Molly Heidemann, Christina Tran, Chloe Heskett, and Naomi Rafal for their marketing, research, writing, fundraising, and logistical support.

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